

EXHIBIT 1

1 UNITED STATES BANKRUPTCY COURT
2 SOUTHERN DISTRICT OF NEW YORK

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4)
5 In re:) Chapter 11
6 LEHMAN BROTHERS HOLDINGS INC., et) Case No.
7 al.) 08-13555 (JMP)
8 Debtor) (Jointly
9) Administered)
10)

11 DEPOSITION OF MICHAEL KIM HERMAN, a 30(b)(6) witness
12 December 16, 2013
13 Seattle, Washington
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2 not that it doesn't happen, but it's infrequent.

3 Q That was going to be my next question.

4 Have any of the commissioners of the
5 Washington State Housing Finance Commission also
6 served on the boards of either of the two
7 affiliates?

8 A I believe there have been former commissioners
9 that have served on WHEFA or TSA, yes.

10 Q But never at the same time?

11 A No.

12 The governor would not approve that.

13 Q You recall in 2002 Washington TSA issued some
14 tobacco securitization bonds?

15 A I definitely recall those.

16 Q And why were those bonds issued?

17 A Those bonds were issued because the State of
18 Washington was facing a \$450 million gap between
19 their revenues and their desired expenses in the
20 2002 session, and so in order to fill that gap,
21 they wanted to sell a portion of the tobacco
22 revenues that were coming from the revenue stream
23 of the national settlement that was entered into
24 between the major tobacco companies and the
25 states, most of the states, and so they passed

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2 legislation to create the Tobacco Settlement
3 Authority.

4 They sold to the Tobacco Settlement Authority
5 29.2 percent of the State's tobacco settlement
6 revenues, and we issued 517 million and some
7 dollars worth of bonds, 450 million of which we
8 used to buy that 29.2 percent of the tobacco
9 settlement revenues, thereby filling the gap that
10 the State was short for general fund operations
11 at that time.

12 Q And why weren't the bonds issued by the
13 Washington state government?

14 A Because they did not want to be responsible for
15 the repayment of the bonds.

16 They wanted to pass the repayment of the
17 bonds to the investors who bought bonds, the
18 bondholders.

19 They did not want the State to take on the
20 \$517 million and some in debt, as an obligation
21 of the State, which was what many of the states
22 did.

23 Q When you said that's what many of the states did,
24 what do you mean by that?

25 A I mean by that, that many of the states created